

Technical Note
Gross Domestic Product, Fourth Quarter 2003 (Final)
Corporate Profits, Fourth Quarter 2003
March 25, 2004

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release; the note also provides some perspective on the estimates. Additional material is available on BEA's Web site <www.bea.gov>. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*. The *Survey* also will provide a more detailed analysis of the estimates ("The Business Situation").

Gross Domestic Product

Real GDP (revised): Real GDP is now estimated to have increased at an annual rate of 4.1 percent in the fourth quarter of 2003, the same as in the preliminary estimate released last month. Real GDP increased 8.2 percent in the third quarter. As in the preliminary estimate, the slowdown in real GDP growth was mainly accounted for by consumer spending and the trade balance.

Prices (revised): The chain-type price index for gross domestic purchases is now estimated to have increased 1.3 percent in the fourth quarter; the preliminary estimate had shown an increase of 1.1 percent. The index had increased 1.8 percent in the third quarter.

Source of Revisions

There were modest, roughly offsetting, revisions to several components of GDP. An upward revision to personal consumption expenditures for services mainly reflected the incorporation of new data on bank services from the Federal Deposit Insurance Corporation and new data on net foreign travel from BEA's international transactions accounts. A downward revision to inventory investment mainly reflected revised Census Bureau data on manufacturing inventories for December and the annual revision to wholesale trade inventories.

The 0.2-percentage point upward revision to the price index for gross domestic purchases primarily reflected an upward revision to the implicit price of bank services, based on newly available Federal Reserve Board tabulations of call report data.

The news release that presents final estimates for a quarter also presents revised estimates of wages and salaries, personal taxes, and contributions for government social insurance for the preceding quarter. Third-quarter wages and salaries were revised up, reflecting the incorporation of the most recently available BLS tabulations of private wages and salaries from the state unemployment insurance program. Revisions to personal taxes and to contributions for government social insurance for the third quarter reflected the revisions to wages and salaries. Real disposable personal income is now estimated to have increased 6.8 percent in the third quarter (revised up from 6.3 percent) and 0.5 percent in the fourth quarter (revised up from no change).

Corporate Profits and GNP

The news release that presents the final estimate of fourth-quarter GDP also presents the first estimates of corporate profits and gross national product (GNP) for the quarter.

Corporate Profits: Profits from current production (that is, "corporate profits with inventory valuation and capital consumption adjustments") increased 7.2 percent (quarterly rate) in the fourth quarter, following an increase of 9.9 percent in the third. Profits were 29.0 percent higher than in the fourth quarter of 2002. The current-production measure of profits differs from profits as they are usually reported in corporate financial statements. It excludes non-operating items, such as special charges and capital gains and losses, and is based on depreciation of fixed assets and inventory withdrawals valued at current cost, rather than at historical cost.

Real GNP: Real GNP increased 5.5 percent in the fourth quarter, 1.4 percentage points more than the increase in real GDP; GNP increased 8.3 percent in the third quarter. GNP equals GDP plus incomes, mainly on investments, earned abroad by U.S. residents, less similar incomes earned in the United States by residents of other countries. Net income receipts by U.S. residents increased \$36.4 billion in the fourth quarter; receipts increased \$45.3 billion, and payments to foreign residents increased \$8.9 billion.

Brent R. Moulton
Associate Director for National Economic Accounts
Bureau of Economic Analysis
(202) 606-9606
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